UNITED NATIONS

DP

Executive Board of the United Nations Development Programme and of the United Nations Population Fund

Distr.
GENERAL

DP/1996/30
1 August 1996

ORIGINAL: ENGLISH

Third regular session 1996
9-13 September 1996, New York
Item 5 of the provisional agenda

UNDP: FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

REVISED BUDGET ESTIMATES FOR THE BIENNIUM 1996-1997

Report of the Advisory Committee on Administrative and Budgetary Questions

1. In accordance with regulation 9.5 of the Financial Regulations of the United Nations Development Programme (UNDP), the Advisory Committee on Administrative and Budgetary Questions (ACABQ) has considered the revised budget estimates of UNDP for 1996-1997 (DP/1996/29). During its consideration of this matter, the Advisory Committee met with the Associate Administrator and other senior officials of the Programme, who provided additional information.

2. The Administrator proposes a revised total 1996-1997 budget for UNDP as a whole amounting to $579,146,800 gross, or $541,141,800 net, after estimated income of $38,000,000. The revised estimates reflect an increase of $2,339,700 or 0.4 per cent, as compared to the approved estimates for 1996-1997, which amounted to $576,807,100 gross or $538,807,100 net. The revised 1996-1997 estimates for activities financed from resources of UNDP (i.e., excluding those financed from resources of the UNDP-administered funds) amount to $556,466,500 gross or $518,466,500 net (see table A).

3. The Advisory Committee notes from paragraph 2 and annex I of document DP/1996/29 that the overall resource projection for 1996-1997 has been adjusted downward as compared to the previous estimates provided to the Committee for 1996-1997 (see DP/1995/52, annex). Voluntary contributions are now projected at $1,852 million for 1996-1997, reflecting a decrease of 8.9 per cent, as compared to $2,034 million previously projected for 1996-1997; however, the revised figure still represents an increase of 1.3 per cent over contributions of $1,828 million received for 1994-1995 (see DP/96/18/Add.4, table 1).

4. The Advisory Committee recalls the Administrator's stated policy of "streamlining and downsizing the organization to ensure that maximum resources are made available for programme expenditures" (DP/1996/18, para. 58). The Committee notes that increases in contributions may continue to be very modest in the near future. As indicated in paragraph 37 of document DP/1996/18, "UNDP confronts development challenges of increasing complexity at the time when ODA is being restructured, resources available for multilateral institutions and the United Nations are declining, development assistance is increasingly targeted for humanitarian ends and constituencies for aid are eroding". Upon request, the Committee was informed that contributions by the traditionally largest donor to UNDP and another large donor have been reduced by more than one half for 1996 (from $116 million to $51 million in the case of one donor and from $45.7 million to $21.4 million in the case of the other). In the light of the expected sharp reductions in contributions for the biennium 1996-1997, the Committee had expected that additional requirements in the revised 1996-1997 budget would have been absorbed within appropriated budgetary resources. The Committee believes that explanations as to why the cost adjustments could not be absorbed should have been provided in the document.

5. As indicated in paragraphs 3 and 4 of the report of the Administrator, volume increases in core activities of UNDP reflect the total cost of $2.4 million for 1996-1997 to establish a UNDP country office in Bosnia and Herzegovina, pursuant to Executive Board decision 96/11. The Administrator proposes to establish 16 posts (1 D-2, 1 P-5, 1 P-4, 3 National Officer and 10 General Service posts). The Committee has no objection to the proposal. The Committee was informed that UNDP envisages a programme of $112,700,000 for Bosnia for the period from 1996 to 2000.

6. The Advisory Committee inquired about the efforts made by UNDP to secure common premises with other United Nations entities for the UNDP office in Sarajevo. The Committee was informed that based on the review and discussions with other United Nations agencies operating in Sarajevo, it was determined that, at the present time and for the immediate future, the likelihood of obtaining premises that could adequately accommodate many of the United Nations agencies was remote. Many of the buildings in Sarajevo were badly damaged during the war and office space was scarce. The offices of the United Nations agencies already established in Sarajevo were already over capacity. While the goal to have common premises in Sarajevo for the United Nations agencies would continue to be pursued by UNDP, for the present, UNDP intended to have its own office premises.

7. As indicated in paragraph 8 and table A of DP/1996/29, cost adjustments relating to the budget for core activities amount to a net decrease of $851,100, resulting from an estimated currency release of $5,016,200, which is partially offset by an estimated inflationary increase of $3,233,500 and other various cost increases estimated at $931,600. The Advisory Committee sought clarification on the upward adjustment in the cost of country offices ($1,314,000 under core activities and $592,800 under support to the operational activities of the United Nations), which is explained in the report of the Administrator as resulting from the "expected inflationary impact of the appreciation of the United States dollar".

8. The Advisory Committee was informed that budget estimates for country offices are prepared in the country's currency and converted to United States dollars at the exchange rate applicable at the time of presenting the budget. Subsequent changes in exchange rates and the effect of local inflation affect the initial budget estimates. For country offices, as indicated in table A of DP/1996/29, the strengthening of the United States dollar results in currency releases of $6,629,400 ($4,720,400 under core activities and $1,909,400 under support to the operational activities of the United Nations). This currency release is, however, partially offset by the effect of local inflation, which is estimated at $1,906,800 ($1,314,000 for country offices under core activities and $592,800 under support to the operational activities of the United Nations), leaving a net reduction of $4,722,600.

9. With respect to the revised estimates for 1996-1997 under programme support and development activities, the Advisory Committee notes that the revised estimates for the United Nations Volunteers (UNV), chargeable to the UNDP biennial budget, increases from $32,769,500 to a revised estimate of $34,407,700, or 5.0 per cent over the approved budget for 1996-1997. As indicated in paragraphs 5 and 6 of document DP/1996/29, no volume increase is proposed for the United Nations Volunteers. However, cost adjustments of $1.6 million are proposed as a result mainly of the "revised scale of pensionable remuneration, the cost of the approved support staff in the field, General Service staff in Geneva and the one-time requirement to cover commutation of annual leave and repatriation grant relating to staff who will not move to Bonn and will separate" (DP/1996/29, para. 12). The Committee was informed that these adjustments were necessary as the original budget had been underestimated.

10. The Advisory Committee recalls from paragraph 175 of document DP/1995/51 that "as regards recurrent and non-recurrent expenditure, it was originally estimated that there could be annual savings of approximately $1.7 million" as a result of the relocation of UNV headquarters from Geneva to Bonn. Subsequently, these estimates for annual net savings were revised to $1.4 million, based on the results of General Service salary surveys in Geneva and Bonn, which indicated that the difference between staff salaries paid in Geneva and Bonn would be 28 per cent rather than 40 per cent, as originally estimated. The Committee further recalls that "in addition to the savings in recurrent costs that are directly related to the relocation to Bonn, the Administrator also anticipates savings as a result of overall streamlining (DP/1995/51, para. 176). The Committee is not convinced that the proposed cost increases in the revised administrative budget of UNV could not be offset by adjustments in other components of the budget.

11. The Advisory Committee notes the active participation of the UNV specialists in the United Nations peace-keeping and humanitarian activities in the field (295 volunteers out of 2,190 were assigned to United Nations peace-keeping operations and humanitarian relief activities). As indicated previously, the Committee commends UNV for these endeavours. With regard to the number of serving volunteers applicable to the staffing formula approved by the Governing Council in its decision 88/46, the Committee notes that, as at 31 December 1995, there were 1,895 volunteers serving in the field compared to 1,854 volunteers in the field as at 31 December 1994. The increase of 41

volunteers would translate to an increase of 0.6 staffing units under the staffing formula approved in Governing Council decision 88/46, which permitted the establishment of a staffing unit for every 70 volunteers over a base of 1,000 volunteers in the field. A staffing unit can be composed of either one Professional and one General Service post, or of three General Service posts (DP/1995/51, para. 51 (b)).

12. The Advisory Committee notes that the Administrator, pursuant to decision 95/28, proposes to defer the application of the staffing formula until its further review. The Committee reiterates its view that the concept of adding supplementary UNV headquarters staff on the basis of the increase in the number of volunteers in the field needs reassessment. The Committee believes that there should be economies of scale in UNV central administrative services and that related costs should not increase in direct proportion to the increase in the number of volunteers in the field (DP/1995/52, para. 14).

13. As indicated in paragraph 15 of document DP/1996/29, in accordance with the provisions of the standard basic agreements that govern UNDP operations in recipient countries, host Governments should contribute towards UNDP programme costs, including the administrative costs of the field offices. The Administrator, as authorized by the Governing Council in its decision 84/9 of 29 June 1984, has, when economic conditions of countries concerned so warranted, partially waived the obligation of host Governments to contribute towards field office costs.

14. The Advisory Committee notes from paragraph 17 of document DP/1996/29 that the Administrator proposes that the basic principles of the waiver system be maintained on the understanding that the waiver bands and the base year for per capita gross national product (GNP) data are adjusted in line with Executive Board decision 95/23 of 16 June 1995 on successor programming arrangements. The principle that all recipient countries should contribute towards local office-costs is a sound one; the Committee urges the Administrator to pursue actively the collection of local office-cost contributions. Furthermore, for those countries that have advanced to category I (see tabulation in para. 17 of document DP/1996/29), the Committee encourages the Administrator to review the length of the waiver period so as to reduce it following the year of "graduation" of these countries.

15. The Advisory Committee sought clarification as to the status of contributions towards local offices by host Governments of small island countries with a population of less than 2 million. The Committee was informed that a distinction was made in the previous programming cycles to provide for an increased category I "graduation" threshold of $4,201 and above for island countries with a population of less than 2 million, instead of $3,001 and above. However, pursuant to Executive Board decision 95/23 of 16 June 1995 on successor programming arrangements such a distinction was no longer made as the new "graduation" threshold for category I was set at $4,701 for all countries.

16. In paragraph 11 of its decision 95/28, the Executive Board requested "the Administrator, in the context of the revised budget estimates for the 1996-1997 biennium, for an assessment of the impact of the present budget decision on the organizational capacity of the United Nations Development Programme, in

particular the adequacy of human resources both at headquarters and at the country level, taking into account the comparative advantage of the Programme and decision 95/23".

17. The Advisory Committee notes from paragraphs 23 and 24 of document DP/1996/29 that the Administrator "believes that it will require additional time to put the assessment in the appropriate context of change". The Committee agrees that an assessment, at this time, would be incomplete and not very meaningful as it would not incorporate the results of the organizational changes currently being implemented. The Committee, therefore, expects to revert to this matter in the context of the Administrator's budget submission for the biennium 1998-1999.

18. With regard to the utilization of the reserves for separations and transitional measures approved by the Executive Board in paragraph 16 of its decision 95/28, the Advisory Committee notes from paragraph 26 of document DP/1996/29 that the $14 million reserve for separations is now fully committed and obligated. The Committee was informed that payments for some separation packages of the concerned staff are being disbursed in instalments and will not result in additional expenditures, with approximately 94 per cent of the disbursements to be effected before the end of the 1996-1997 biennium, as a one-time charge against the balance of general resources.

19. As regards the $8.4 million reserve established to cover administrative costs related to organizational changes in the biennium 1996-1997, the Advisory Committee was informed that the total disbursements, for the purposes outlined in paragraph 27 of document DP/1996/29, will be effected by the end of 1996 from budget savings that have already accrued to the 1994-1995 biennial budget. These administrative charges will also be reflected as a one-time charge to UNDP general resources pursuant to paragraph 16 of decision 95/28.

20. Paragraphs 28 and 29 of the report of the Administrator contain a discussion of the pilot arrangements relating to reclassifications of posts authorized by the Governing Council in its decision 92/37. The Advisory Committee shares the view of the Administrator that a continuous review and updating of post classifications is important to reflect and implement the restructuring of units and their functions, particularly under the current policy of streamlining the organization. The Committee believes that the one-year authority granted to the Administrator by the Governing Council to review, between biennial budgets submissions, the job classifications for posts in the P-1 to P-5 range should continue to be granted by the Executive Board for the period of the approved biennial budget, on the understanding that the post-level changes would be financed within the approved appropriations and not result in changes in the overall distribution of posts by level. The Administrator should report to the Executive Board on all such post classifications in the context of the next biennial budget submission.

21. In paragraph 5 of its decision 96/21, the Executive Board requested "the Administrator to review, as appropriate, the proposed organizational structure of the Office of the United Nations System Support and Services, taking into account the comments made by the Advisory Committee on Administrative and Budgetary Questions," in its report DP/1995/26, paragraphs 8-10, "and to report

in the context of the report on the revised budget estimates." The Advisory Committee notes from paragraph 32 of document DP/1996/29 that the Administrator, at this stage, does not propose changes. The Committee is not convinced that a review of the organizational structure of OUNS has taken place yet. The Committee requests the Administrator to report on the matter comprehensively in the context of its biennial budget submission for 1998-1999.

22. In view of the issues mentioned above in paragraph 20, the Executive Board approved, on a provisional basis, the proposal relating to the Office of United Nations System Support Services (OUNS), as contained in paragraphs 164-166 of document DP/1995/51 (decision 96/21, para. 6). The Board also requested the Administrator "to bear in mind the necessity of further clarification on the financing of the responsibility given by the Secretary-General to the Administrator for improving the coordination of operational activities for development as well as the ongoing reform process of operational activities" (decision 96/21, para. 7).

23. In this regard, the Advisory Committee was informed that the Administrator had brought decision 96/21 to the attention of funds and programmes, specialized agencies and the United Nations Secretariat and had requested them to consider the kinds of financial support towards the OUNS activities indicated in paragraph 31 of document DP/1996/29. The Committee was informed that some United Nations bodies had indicated that they were ready to make staff resources available for short-term assignments (the Department for Development Support and Management Services and the Joint United Nations Programme on HIV/AIDS), while others had indicated that owing to present budgetary constraints it would be difficult to second staff to OUNS. The Committee urges the Administrator to redouble his efforts to obtain more support for OUNS from other units of the United Nations system. The Committee reiterates its view, however, that the activities of OUNS should be financed by the regular budget of the United Nations (DP/1996/25, para. 10).